REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

BACHELOR OF COMMERCE HONOURS DEGREE IN BANKING & FINANCE

MARKET & LIQUIDITY Risk MANAGEMENT

HBAF 401

PART 4 SEMESTER 1

Total Marks [100]

DATE: APRIL 2024

Time: 3 Hours

INSTRUCTIONS

1. This paper has ***six (6)*** questions
2. Answer question ***one (1)*** and ***any*** other **three (3)**
3. Each question carries ***25 marks***
4. Start each question on a new page

1. With reference to a bank you are familiar with, examine the key divers of market risk. (25 marks)

2. Analyse the roles of ALM in liquidity risk management of a bank.(25 marks)

3. Giving practical examples, examine the significance of measuring liquidity risk of a bank. (25 marks)

4. Discuss any five fundamental principles in the risk management framework that should guide the liquidity risk management strategy of a financial institution. (25)

5. Examine the inter-relationship between market and liquidity risk management in a bank. (25 marks)

6. Explain the following methods of measuring risk:

a) Concept of Value-at-Risk (VAR) (6)
b) Mote Carlo Simulation (6)
c) Stress Testing (6)
d) Economic Capital (7)

END OF PAPER